



Don Nickles, Chairman
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**STATEMENT BY SENATE BUDGET CHAIRMAN NICKLES
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Thank you Mr. Chairman. It was a pleasure to work with you and Chairman Grassley and other members of the Conference. We've done a lot of work and I think we've done some good work. When I hear some of the complaints, from my friend Congressman Rangel or Senator Daschle, I almost want to say I hope you read the bill; and Congressman Rangel I know said he would.

I haven't read it yet, I don't know anybody who has read it, it's still warm...I also happen to be Chairman of the Budget Committee, we just got a report from CBO. I haven't had the chance to thoroughly read that; they said the score was at \$395 billion, so we need to digest that.

I am concerned about the cost of the bill, but I wanted to produce the best bill we can. Am I satisfied with the bill? No.

When I hear some people arguing against it saying it doesn't do enough, in many respects I don't think you realize how much it does. It does a lot. Congressman Rangel, it provides a lot of benefits for low-income people with almost no co-payments, as a matter of fact they are too low in my opinion. Frankly I'm not happy with some of the changes that were made in the last couple weeks.

I was very close to being a supporter of this package and I'm questioning that right now. Because now there's a co-pay of \$1 and \$3, I had it at \$2 and \$5. I fought for months keeping it at \$2 and \$5 and now all of a sudden it's \$1 and \$3. I think utilization is going to skyrocket. And that's all federal. I mean, other than the \$1 co-pay for a lot of people, it's all federal. We're taking over Medicaid. The cost of Medicaid has been exploding, and it's going to explode even faster now that it's all federal. So I'm concerned about that.

I was amused, and I have to compliment my friends Max Baucus and John Breaux because one editorial commentary today said that they didn't work very hard. They have no idea; today I literally raised my voice and most of you who know me fairly well know that I don't raise my voice very often; that Max Baucus is making out like a bandit, he keeps on winning. He won all the issues that I can remember the last two weeks. And that

made the bill much more friendly, frankly, from your perspective, and much less friendly from mine.

I really want a market-oriented approach and I think we're falling short of a market-oriented approach as a constructive alternative. Mainly, and you say what do you mean by that, I mean I think private plans should be able to offer drug benefits without having a donut hole. Most private plans don't have that and we're insisting that anybody who wants to participate in Part D of the new drug plan has to offer an out-of-pocket cost of \$3,600 before you have government risk taking over...or catastrophic. I would rather have a capitated amount and say here you do it and you assume the risk. That's a good private sector alternative and we didn't get there.

It wasn't from a lack of effort, I think the Chairman would note, I only tried for that for a couple of months and wasn't successful. I think I also said about a month ago that if we don't get really integrated flexible plans I wasn't going to support it. And so I am concerned about cost.

One of my tasks as Budget Chairman as the Chairman mentioned; the estimated cost of CBO is \$395, I will predict right now it will come out double that, ultimately. Ten years from now we'll find out. We can see how it comes out. We're going to have an accounting of it. I will also predict the true out-of-pocket costs, the donut hole, will be closed. It closed a little bit in the last 24 hours and I'm sure it will be closed substantially if not totally closed over the next several years.

I noticed AARP who are endorsing this legislation says that this is the beginning not an end, and I'm absolutely certain next year, the following years, subsequent years, other people will come back, I know Senator Kennedy will. I know him well, I've served with him for 24 years. He'll come back to close the donut hole. I'm sure the governors will come back and say let's close the reach back; I noticed it closed a little bit in the last 24 hours. And I will predict that it will be reduced substantially over the next several years. You take those two things together and the cost of this program explodes.

It's already on top of a program that's unsustainable in its present form. Medicare is unsustainable in its present form. It has an unfunded liability in the trillions of dollars, much worse than Social Security. So we're adding a new benefit that maybe if we were to get a really viable private-sector alternative that would have some built-in mechanisms that would work.

Chairman Dingell, my very good friend, said he is concerned about fee-for-service. This is based on fee-for-service; this is tied to fee-for-service. And fee-for-service is not working. If fee-for-service is working why did we have to put in billions and billions of dollars of add-ons for providers. We're doing it in this bill and my compliments to Chairman Grassley because he has a very nice, generous package that's going to make a lot of our hospitals all across the country, a lot of our doctors, a lot of our providers are going to be very happy as a result of this bill. Their payments are going way up, and

some are long overdue, so my compliments to you. But why do we have to do it? Well in many cases this is because government-controlled prices didn't work. Hasn't worked.

As a matter of fact we bumped up physician payments by \$54 billion last January and that's not enough. But the underlying element or basis for this plan for private competition is still tied to, actually almost married to fee-for-service. So fee-for-service is not in jeopardy.

Another thing I just mentioned is that I'm afraid, and again a lot of this happened in the last week, I always thought we were paying too much for covering the already-covered, and we went up on that substantially. On employer subsidies we went up from \$70 billion to \$86 billion or something like that. These are people that already had healthcare and already had prescription drugs and we're paying a lot more for that. So if you add the Medicaid that we're paying a lot more for and if you add the people in the private plans we're paying a whole lot for people who are already covered.

So I'm concerned that maybe we didn't do as well as I hoped that we would in real positive reforms. I think the present Medicare system is in desperate need of reforms. I think the deductible is too high, it doesn't have catastrophic, and we maybe could have done better.

But all that being said, Mr. Chairman, it was a pleasure to work with you, I do think we made some positive contributions throughout this process, we did make some things better. I happen to think that Part B reform is better. I think indexing the deductible on Part B is positive; I think that HSAs are the most positive thing in this package, not directly related to Medicare but it will be a very significant reform and I compliment you on that. The rural changes are long overdue and those are real positives.

I could argue for it or against it but my primary budget hat tells me that long-term we did well on putting out the new benefits but we didn't do as well as we should have on reforming it to make it sustainable for the long-term. Thank you, Mr. Chairman.